

U.S. Cellular Corporation

Federal-State Joint Board on Universal  
Service

CC Docket No. 96-45

February 11, 2005

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# Overview

- U.S. Cellular's Success in Bringing New Investment to Rural America.
- The Commission Must Honor the Core Principle of Competitive Neutrality.
- The Current System of "Per Line" Support Prevents Construction of Multiple Networks in High-Cost Areas.
- Properly Targeting Support is Critical to Controlling Fund Growth and Driving Investment to High-Cost Areas.
- States Must be Given Guidance That the Broad Preemption Contained in Section 332 Must be Honored.

# Competitive Neutrality

- Section 254 is about delivering choices to rural consumers, not protecting any class of carrier.
- Universal service, intercarrier compensation, LNP delays, access to numbers, and illegal wireline tariffs must all be dealt with to ensure consumers have competitive choices.
- Proposals to limit fund growth by having regulators pick winners must be rejected. All qualified carriers should be granted ETC status under a system that requires targeted investment in high-cost areas.


# Per-Line Support Limits Fund Growth and Prevents Stranded Investment

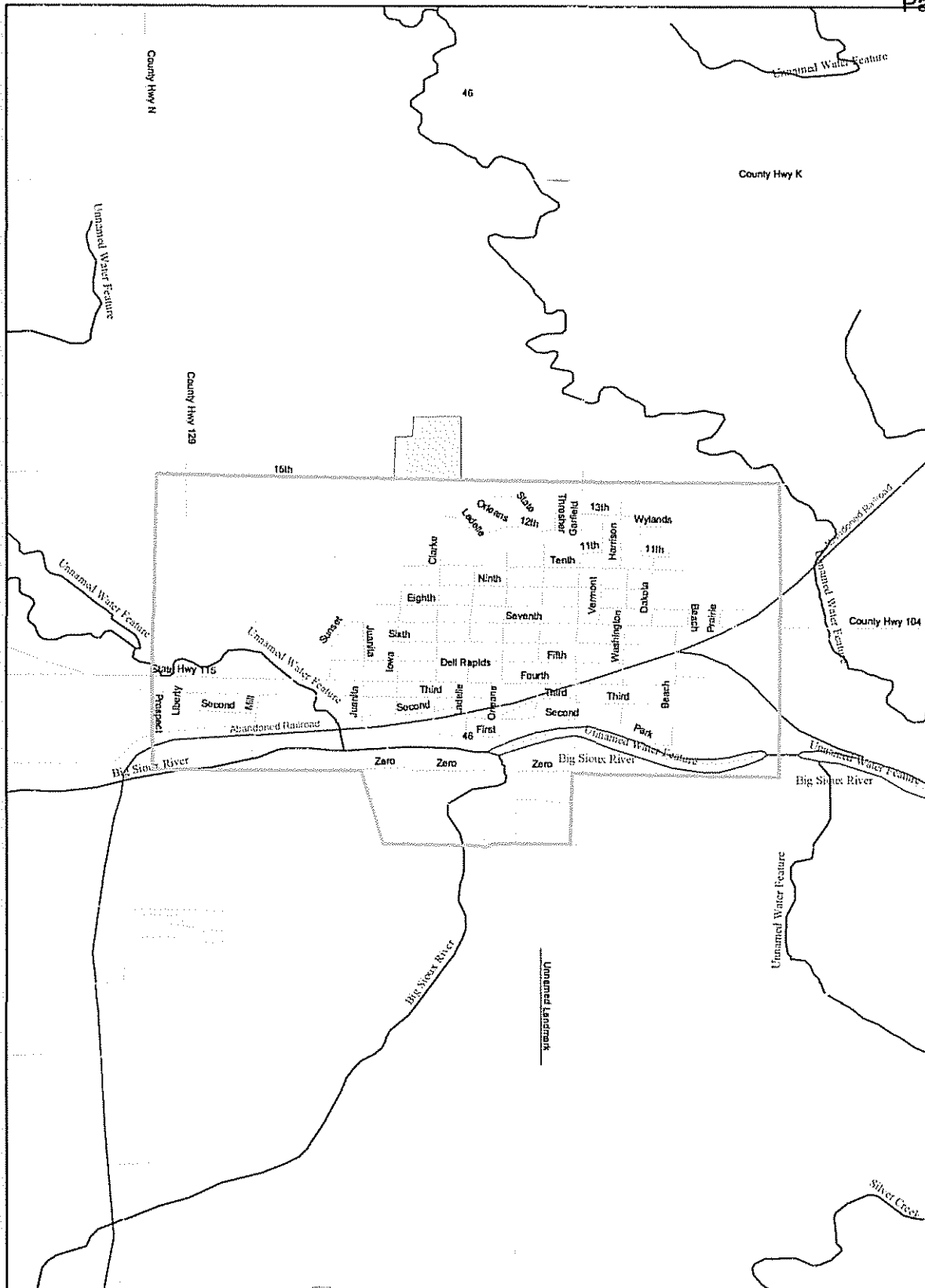
- Drives efficient competitive entry: competitors must assess customer and support revenue streams before entering.
- Investment must be made first. 100% at risk, which punishes inefficient investment.
- De facto cap on support to competitors. Removes from regulators the need to pick winners or limit number of entrants.
- Multiple ETCs cannot construct facilities in highest cost areas – not enough lines to capture.
- Subsequent entrants either do not choose ETC status or they must resell to meet ETC obligations.

# Support Must Be Accurately Targeted to High-Cost Areas

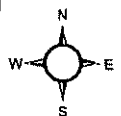
- Protecting ILECs from supported entry in low-cost areas is important. Competition is already there today.
- The 2001 RTF Order set out a very effective means of introducing competition in every area while targeting support to high-cost areas.
- ILECs agreed disaggregation needed to protect their low-cost areas.
- Disaggregation solves the “partial wire center” problem - makes it irrelevant where a competitor enters as an ETC.
- Non-rural areas are disaggregated by wire center, enabling competitors to target new investment to high-cost areas.
- Arbitrarily limiting CETC entry in high-cost areas harms consumers.
- Virginia Cellular and some state decisions denying ETC in both low and high-cost areas where support not properly targeted cause consumer harm (the Waynesboro-Bergton problem).

# Legend

 = Zone 2



0.5 0.25 0 0.5 Miles



USF Disaggregation

Zone 1 = Entire Exchange less Town of Colton

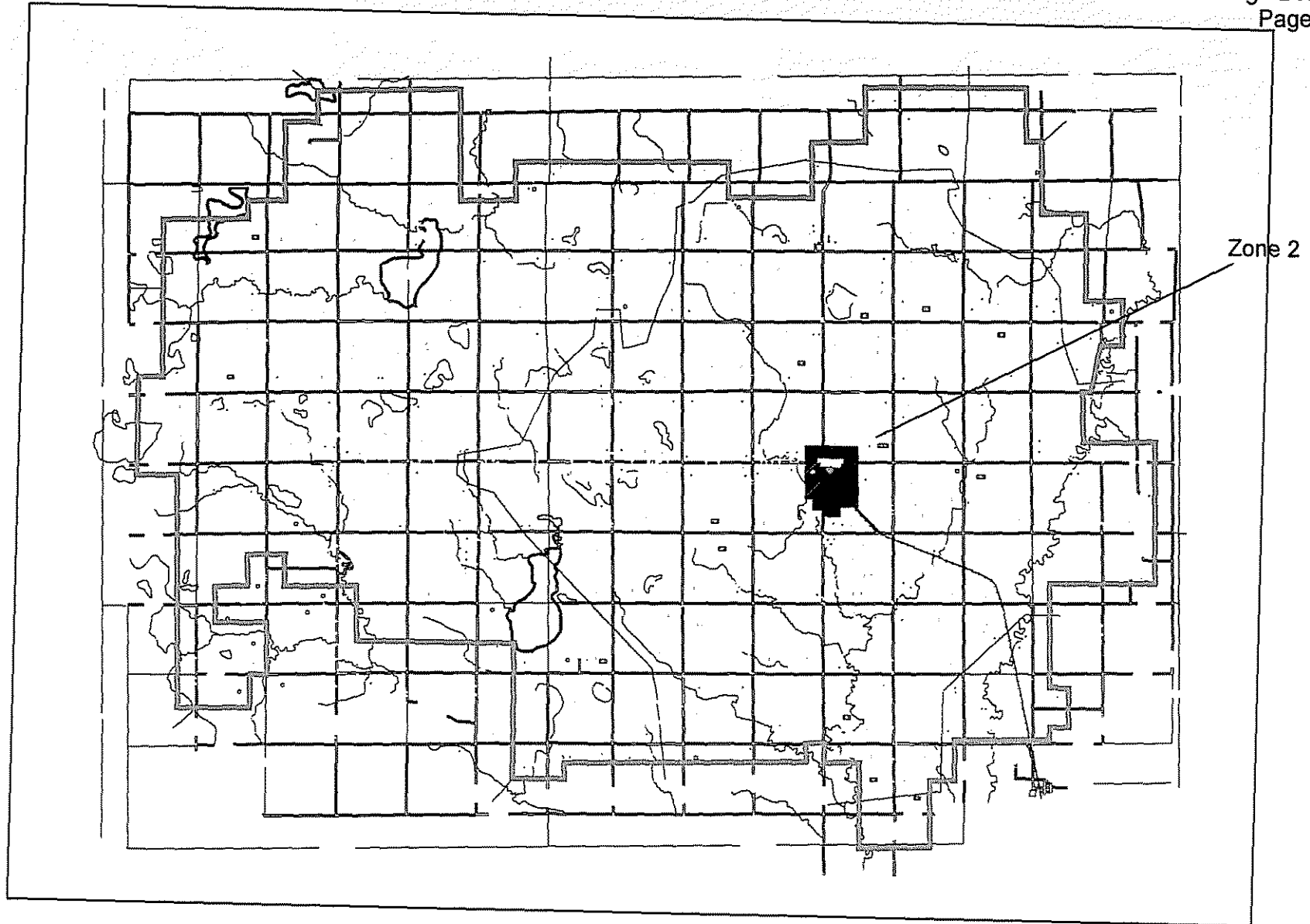
Zone 2 = See page 2 of 9 for details

Sioux Valley Telephone Company

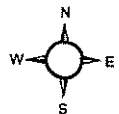
USAC No. 391677

Colton Exchange Boundary

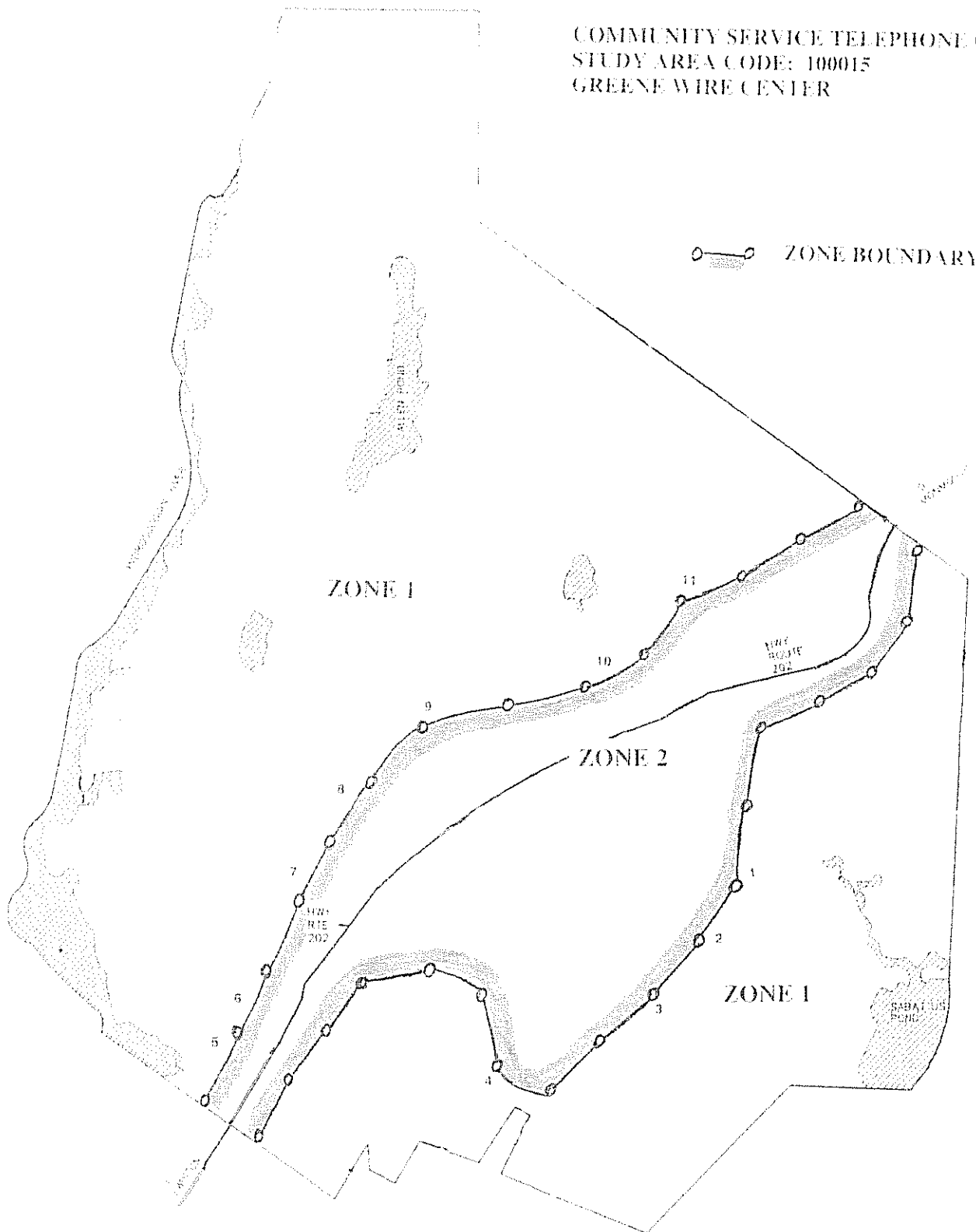
Page 1 of 9



0 60,000 120,000 240,000 360,000 480,000  
Miles



COMMUNITY SERVICE TELEPHONE CO  
STUDY AREA CODE: 100015  
GREENE WIRE CENTER



WIRE CENTER EXTERNAL BOUNDARIES ARE AS FILED WITH THE MAINE PUBLIC UTILITIES COMMISSION

POINTS WHERE ROADS INTERSECT ZONE BOUNDARY

- 1 90 Bull Run Road
- 2 330 Sawyer Road
- 3 70 Coburn Road
- 4 425 College Road
- 5 95 South River Road
- 6 50 Saunders Road
- 7 60 Meadow Hill Road
- 8 40 Merrill Hill Road
- 9 160 Patten Road
- 10 100 Allen Pond Road
- 11 160 Grey Road



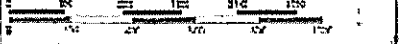
JEFFERSON TELEPHONE  
COMPANY STUDY AREA 391666

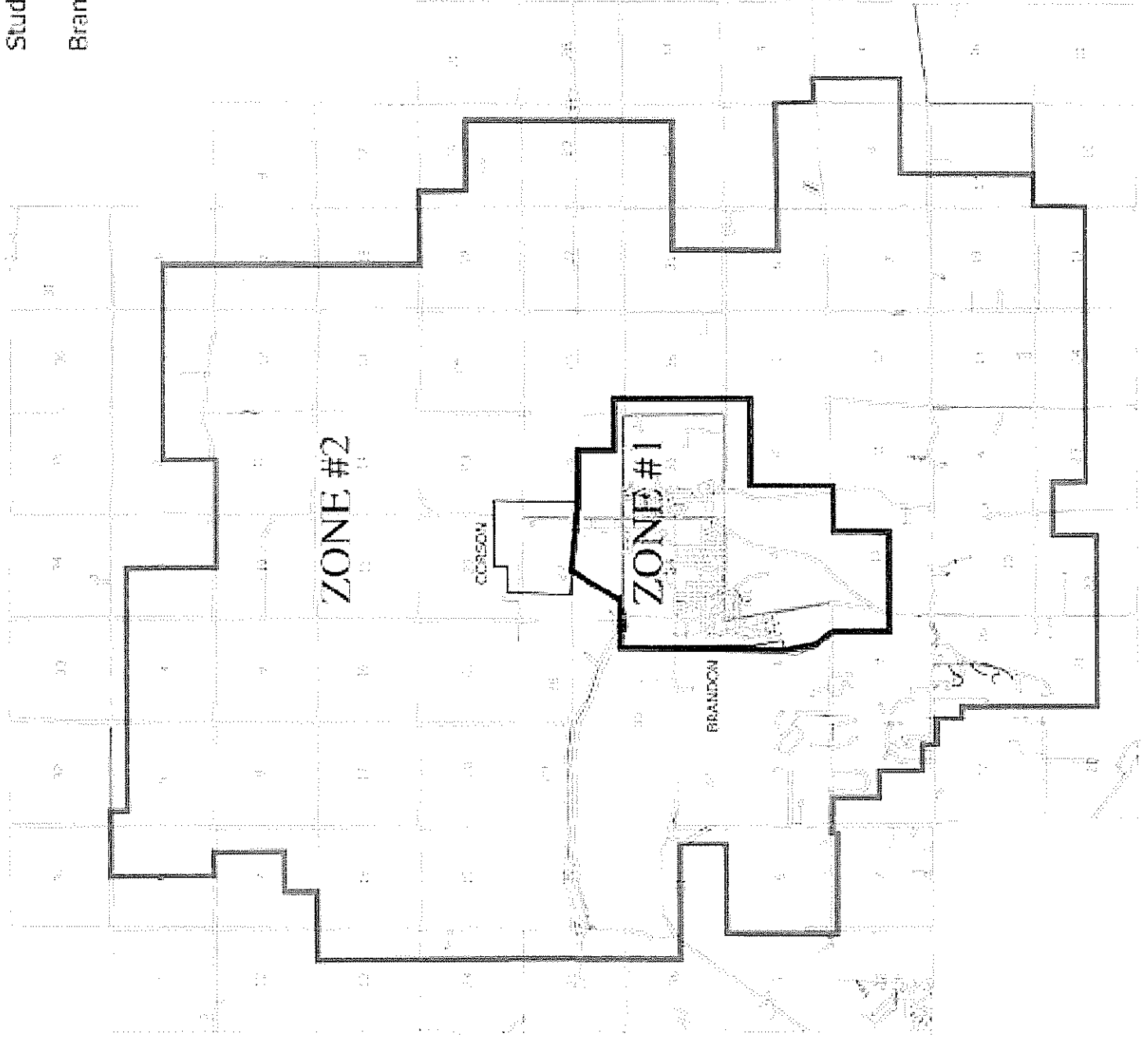
Jefferson Downtown Zone



© 2001 Delorme, XMap® Business 1v3; © 2001 GDF, Inc., Rel. 01/2001  
Zoom Level: 11-0 Datum: WGS84

Scale 1" = 25,000  
1" = 2080 ft





Highland Cellular example:

**Table 1**

Wire Center Name	Number of Customers	Support Available	Total
Athens	686	\$11.92	\$8,177.12
<b>Bluefield</b>	<b>3,470</b>	<b>\$11.92</b>	<b>\$41,362.40</b>
Bluewell	640	\$11.92	\$7,628.80
Bramwell	113	\$11.92	\$1,346.96
Matoaka	239	\$11.92	\$2,848.88
Oakvale	198	\$11.92	\$2,360.16
<b>Princeton</b>	<b>4,521</b>	<b>\$11.92</b>	<b>\$53,890.32</b>
Frankford	282	\$37.72	\$10,637.04
Rupert	27	\$16.80	\$453.60

**Total Without Disaggregation: \$128,705.28**

Highland Cellular example:

**Table 2**

Wire Center Name	Number of Customers	Support Available	Total
Athens	686	\$38.24	\$26,232.64
<b>Bluefield</b>	<b>3,470</b>	<b>\$0.00</b>	<b>\$0.00</b>
Bluewell	640	\$20.44	\$13,081.60
Bramwell	113	\$20.44	\$2,309.72
Matoaka	239	\$38.24	\$9,139.36
Oakvale	198	\$38.24	\$7,571.52
<b>Princeton</b>	<b>4,521</b>	<b>\$0.00</b>	<b>\$0.00</b>
Frankford	282	\$34.04	\$9,599.28
Rupert	27	\$23.80	\$642.60

**Total With Disaggregation: \$68,576.72**

# Section 332 Preemption Must be Honored

- Virginia Cellular Properly set the bar for ETC designation.
- Most states are designating ETCs under similar or more stringent standards.
- The Commission should reiterate its prior holding that Section 332 preemption is in effect for CMRS carriers that are ETCs.
- For example, some states are conditioning ETC designation on:
  - Submitting to rate regulation in various forms.
  - Requiring minimum local usage on mobile plans, but not wireline plans.
  - Imposing ILEC-style service requirements on wireless ETCs with one size fits all approach.
  - Imposing geographic coverage requirements.
  - Regulations directed at the market power of a dominant carrier.

## Final Points

- Rural consumers are paying into the fund but are getting only a trickle of benefits for their investment. Wireless now contributes over \$2 billion per year, yet 90% of support goes to ILEC competitors.
- FCC must promote efficient investment. Controlling fund growth by limiting entry denies consumers service quality and choices that qualified carriers are prepared to deliver.
- States now understand the critical health/safety and economic development benefits that new ETCs are delivering.
- Rules must drive wireless investment in high-cost areas, not inhibit it.
- FCC should adopt Virginia Cellular model and monitor all carriers' use of support to ensure investment in rural high-cost areas.
- Controlling fund growth should be addressed in the companion proceeding, with a focus on encouraging efficiencies from all carriers.